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BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

KRISTIN K. MAYES, Chairman
GARY PIERCE
PAUL NEWMAN
SANDRA D. KENNEDY
BOB STUMP

Arizona Corporation Commission

DOCKETED

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IN THE MATTER OF THE APPLICATION
OF YARNELL WATER IMPROVEMENT
ASSOCIATION, INC. FOR A PERMANENT
RATE INCREASE.

DOCKET NO. W-02255A-07-0570

IN THE MATTER OF THE APPLICATION
OF YARNELL WATER IMPROVEMENT
ASSOCIATION, INC. FOR APPROVAL OF
FINANCING.

DOCKET NO. W-02255A-08-0355

DECISION NO. 70698OPINION AND ORDER

DATES OF HEARING:

July 22 and October 2, 2008

PLACE OF HEARING:

Phoenix, Arizona

ADMINISTRATIVE LAW JUDGE:

Marc E. Stern

APPEARANCES:

Ms. Tammy Zudell, Office Manager, on behalf of
Yarnell Water Improvement Association, Inc.; and

Mr. Wesley C. Van Cleve, Staff Attorney, Legal
Division, on behalf of the Utilities Division of the
Arizona Corporation Commission.

BY THE COMMISSION:

On October 5, 2007, Yarnell Water Improvement Association, Inc. ("Company" or "Applicant") filed with the Arizona Corporation Commission ("Commission") an application for an increase in its permanent rates and charges.

On November 5, 2007, the Commission's Utilities Division ("Staff") issued a notice of insufficiency pursuant to A.A.C. R14-3-103.

On March 3, 2008, Staff issued a notice of sufficiency indicating the Company's rate application was sufficient, and classifying the Company as a Class C utility.

1 On March 19, 2008, pursuant to A.A.C. R14-3-101, the Commission issued a Procedural
2 Order to govern the preparation and conduct of this proceeding. A hearing was scheduled for
3 July 22, 2008, filing dates were established and public notice was ordered to be provided by the
4 Company by both publication and by mailing notice to its customers.

5 On June 23, 2008, Staff filed its report recommending approval of its proposed rates and
6 charges. Staff further recommended that the Commission retroactively approve financing for the
7 purchase of a pick-up truck in the amount of \$19,827. However, the Company had not yet filed an
8 application for approval of long-term debt and notice of this application to customers was required.
9 No objections were filed to the Staff Report.

10 On July 7, 2008, by Procedural Order, the Company was ordered to file a financing
11 application and to provide public notice in light of Staff's recommendation for the retroactive
12 approval of financing for a new pick-up truck in the Staff Report. It was further ordered that the July
13 22, 2008, hearing be held for the purpose of taking public comment only. Lastly, Staff was ordered
14 to file a separate Staff Report on the financing application and the time-frame in the rate proceeding
15 was suspended.

16 On July 14, 2008, the Company filed an application requesting Commission approval of
17 long-term financing for the purchase of a new pick-up truck.

18 On July 22, 2008, the hearing was convened for the purpose of taking public comment before
19 a duly authorized Administrative Law Judge of the Commission at its offices in Phoenix, Arizona.
20 The Company appeared through its president and vice president and Staff appeared with counsel. No
21 one appeared to make public comment, but the Company disclosed that public notice had not been
22 given as ordered in the March 19, 2008, Procedural Order. The proceeding was recessed pending the
23 filing of a Motion to consolidate the applications and further public notice given of the hearing which
24 was to be rescheduled.

25 On August 11, 2008, Staff filed a Motion to consolidate the above-captioned proceedings for
26 purposes of hearing.

27 On August 14, 2008, by Procedural Order, the hearing was rescheduled to commence on
28 October 2, 2008, after public notice was given as required by the Commission.

1 On September 2, 2008, the Company filed certification that it had provided notice to the
2 customers in accordance with the Commission's Procedural Order.

3 On October 2, 2008, a full public hearing resumed before a duly authorized Administrative
4 Law Judge of the Commission at its offices in Phoenix, Arizona. The Company appeared through its
5 authorized representative and Staff appeared with counsel. At the conclusion of the hearing, the
6 matter was taken under advisement pending submission of a Recommended Opinion and Order to the
7 Commission.

8 * * * * *

9 Having considered the entire record herein and being fully advised in the premises, the
10 Commission finds, concludes, and orders that:

11 FINDINGS OF FACT

12 1. Pursuant to authority granted by the Commission, Applicant is an Arizona non-profit
13 corporation engaged in the business of providing water service in an area approximately 30 miles
14 southwest of Prescott in Yavapai County, Arizona.

15 2. Applicant's present rates and charges for water were approved in Decision No. 68747
16 (June 5, 2006).¹

17 3. On October 5, 2007, the Company filed an application requesting authority to increase
18 its rates and charges for water service.

19 4. The Company is seeking an increase in its rates and charges in order to address the
20 following needs: to increase the wages of its employees; to make capital improvements on its aging
21 system such as replacing its outdated telemetry system and replacing 70 old, leaky fire hydrants to
22 reduce water loss; and to purchase an emergency back-up generator for the Company's pump house.²

23 5. Staff conducted an investigation of Applicant's proposed rates and charges for water
24 service and filed its Staff Report on the Company's rate application request on June 23, 2008, and

25 _____
26 ¹ Decision No. 68747 denied the Company's application for a rate increase and continued its existing rates which were
established in Decision No. 63506 (March 30, 2001).

27 ² The Company estimated that the capital improvements would cost as follows: the telemetry system, \$69,740; the back-
up generator, \$23,881; and \$1,464 each for the 70 fire hydrants, which the company plans to replace at the rate of 7 per
28 year, for approximately 10 years.

recommended that the Commission approve Staff's recommended rates and charges. Additionally, Staff also recommended approval of long-term financing for the Company for a new pick-up truck which Applicant had purchased in 2006 for \$19,827.

6. On July 7, 2008, by Procedural Order, the Company was ordered to file a financing application and to provide public notice in light of Staff's recommendation for the retroactive approval of financing for a new pick-up truck in the Staff Report. Staff was ordered to file a separate Staff Report on the financing application and the time-frame in the rate proceeding was suspended.

7. On July 14, 2008, the Company filed an application requesting retroactive approval for long-term financing in the amount of \$19,827 utilized to purchase a new pick-up truck.

8. On August 14, 2008, by Procedural Order, the above-captioned proceedings were consolidated for further disposition by the Commission.

9. On September 2, 2008, the Company filed certification that it had provided public notice of the applications and hearing thereon by both mailing notice to its customers and by posting a copy of the official notice at the Company's standpipe in its service area.

10. During the Test Year ended December 31, 2006 ("TY"), Applicant served approximately 531 customers, the majority of which are residential users, who are served by 5/8 x 3/4-inch meters.

11. Average and median water usage by residential users during the TY was 4,447 and 2,338 gallons per month, respectively,

12. The water rates and charges for Applicant at present, and as recommended by Staff with the concurrence of the Applicant at the hearing, are as follows:

| <u>MONTHLY USAGE CHARGES:</u> | <u>Present Rates</u> | <u>Proposed Rates</u> |
|-------------------------------|--------------------------|---------------------------|
| 5/8" x 3/4" Meter | \$ 21.00 | \$ 23.00 |
| 3/4" Meter | 21.00 | 35.00 |
| 1" Meter | 35.00 | 42.00 |
| 1 1/2" Meter | 70.00 | 84.00 |
| 2" Meter | 112.00 | 140.00 |
| 3" Meter | 210.00 | 368.00 |
| 4" Meter | 350.00 | 575.00 |
| 6" Meter | 70.00 | 1,150.00 |

GALLONAGE CHARGES:

(Per 1,000 Gallons)

 $\frac{5}{8}$ x $\frac{3}{4}$ Inch Meter

| | | |
|-------------------------|---------|---------|
| 0 – 5,000 gallons | \$ 2.50 | |
| 5,001 – 10,000 gallons | 3.50 | |
| 10,001 – 50,000 gallons | 4.75 | |
| Over 50,000 | 6.00 | |
| 0 – 3,000 gallons | | \$ 3.60 |
| 3,001 – 7,000 gallons | | 4.10 |
| 7,001 – 50,000 gallons | | 5.75 |
| Over 50,000 | | 7.00 |

 $\frac{3}{4}$ Inch Meter

| | | |
|-------------------------|---------|---------|
| 0 – 5,000 gallons | \$ 2.50 | |
| 5,001 – 10,000 gallons | 3.50 | |
| 10,001 – 50,000 gallons | 4.75 | |
| Over 50,000 | 6.00 | |
| 0 – 3,000 gallons | | \$ 3.60 |
| 3,001 – 7,000 gallons | | 4.10 |
| 7,001 – 50,000 gallons | | 5.75 |
| Over 50,000 | | 7.00 |

1 Inch Meter

| | | |
|-------------------------|---------|---------|
| 0 – 5,000 gallons | \$ 2.50 | |
| 5,001 – 10,000 gallons | 3.50 | |
| 10,001 – 50,000 gallons | 4.75 | |
| Over 50,000 | 6.00 | |
| 0 – 25,000 gallons | | \$ 4.10 |
| 25,001 – 50,000 gallons | | 5.75 |
| Over 50,000 | | 7.00 |

1½ Inch Meter

| | | |
|-------------------------|---------|---------|
| 0 – 5,000 gallons | \$ 2.50 | |
| 5,001 – 10,000 gallons | 3.50 | |
| 10,001 – 50,000 gallons | 4.75 | |
| Over 50,000 | 6.00 | |
| 0 – 25,000 gallons | | \$ 4.10 |
| 25,001 – 50,000 gallons | | 5.75 |
| Over 50,000 | | 7.00 |

2 Inch Meter

| | | |
|-------------------------|---------|---------|
| 0 – 5,000 gallons | \$ 2.50 | |
| 5,001 – 10,000 gallons | 3.50 | |
| 10,001 – 50,000 gallons | 4.75 | |
| Over 50,000 | 6.00 | |
| 0 – 25,000 gallons | | \$ 4.10 |
| 25,001 – 50,000 gallons | | 5.75 |
| Over 50,000 | | 7.00 |

3 Inch Meter

| | | |
|-------------------------|---------|---------|
| 0 – 5,000 gallons | \$ 2.50 | |
| 5,001 – 10,000 gallons | 3.50 | |
| 10,001 – 50,000 gallons | 4.75 | |
| Over 50,000 | 6.00 | |
| 0 – 25,000 gallons | | \$ 4.10 |
| 25,001 – 50,000 gallons | | 5.75 |
| Over 50,000 | | 7.00 |

4 Inch Meter

| | | |
|-------------------------|---------|---------|
| 0 – 5,000 gallons | \$ 2.50 | |
| 5,001 – 10,000 gallons | 3.50 | |
| 10,001 – 50,000 gallons | 4.75 | |
| Over 50,000 | 6.00 | |
| 0 – 25,000 gallons | | \$ 4.10 |
| 25,001 – 50,000 gallons | | 5.75 |
| Over 50,000 | | 7.00 |

6 Inch Meter

| | | |
|-------------------------|---------|---------|
| 0 – 5,000 gallons | \$ 2.50 | |
| 5,001 – 10,000 gallons | 3.50 | |
| 10,001 – 50,000 gallons | 4.75 | |
| Over 50,000 | 6.00 | |
| 0 – 25,000 gallons | | \$ 4.10 |
| 25,001 – 50,000 gallons | | 5.75 |
| Over 50,000 | | 7.00 |

Standpipe/Bulk, per 1,000 gallons

| | | |
|-------------|----------|----------|
| All gallons | \$ 10.00 | \$ 10.00 |
|-------------|----------|----------|

SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

| | <u>Current Charges</u> | <u>Service Line Charge</u> | <u>Proposed Charges Meter Charge</u> | <u>Total Charge</u> |
|-------------------|----------------------------|--------------------------------|--|-------------------------|
| 5/8" x 3/4" Meter | \$ 546.00 | \$ 445.00 | \$ 105.00 | \$ 550.00 |
| 3/4" Meter | 600.00 | 445.00 | 175.00 | 620.00 |
| 1" Meter | 725.00 | 495.00 | 235.00 | 730.00 |
| 1 1/2" Meter | 982.00 | 550.00 | 445.00 | 995.00 |
| 2" Meter | 1,601.00 | 830.00 | 965.00 | 1,795.00 |
| 3" Meter | 2,184.00 | 1,045.00 | 1,580.00 | 2,635.00 |
| 4" Meter | 3,334.00 | 1,490.00 | 2,510.00 | 4,000.00 |
| 6" Meter | 5,964.00 | 2,210.00 | 4,865.00 | 7,075.00 |

SERVICE CHARGES:

| | <u>Present Charges</u> | <u>Proposed Charges</u> |
|---------------------------|----------------------------|-----------------------------|
| Establishment | \$ 40.00 | \$ 48.00 |
| Reconnection (Delinquent) | 40.00 | 48.00 |
| After Hours Surcharge | 20.00 | 24.00 |

| | | | |
|----|------------------------------------|----------------|----------------|
| 1 | Meter Test (If Correct) | 30.00 | 36.00 |
| 2 | Deposit | 70.00 | 84.00 |
| | Deposit Interest | * | * |
| 3 | Reestablishment (Within 12 Months) | ** | ** |
| 4 | NSF Check | 25.00 | 30.00 |
| 5 | Deferred Payment (Per Month) | N/A | N/A |
| 6 | Meter Reread (If Correct) | 10.00 | 12.00 |
| | Late Fee (Per Month) | *** | *** |
| 7 | Road Permit Fee | N/A | COST |
| 8 | | Present | Proposed |
| 9 | <u>FIRE SPRINKLERS:</u> | <u>Charges</u> | <u>Charges</u> |
| 10 | 4 inch or Smaller | N/A | **** |
| 11 | 6 inch | N/A | **** |
| 12 | 8 inch | N/A | **** |
| 13 | 10 inch | N/A | **** |
| 14 | Larger than 10 inch | N/A | **** |

* Per Commission rule A.A.C. R-14-2-403(B).

** Number of months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

*** 1.5 percent of the unpaid monthly balance.

**** 100 percent of monthly minimum for a comparable sized meter connection, but no less than \$5 per month. the service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

13. Pursuant to the Staff Report, Applicant's fair value rate base ("FVRB") is determined to be \$573,986 which is the same as its original cost rate base. Staff found that the Company's FVRB was accurate and no adjustments were required.

14. Staff decreased Applicant's TY operating expenses by \$1,674 from \$218,821 to \$217,147 primarily due to a \$678 adjustment to repairs and maintenance expense for what Staff classified as a non-recurring expense. This adjustment was offset by Staff's increase to depreciation expense of \$1,724. Additionally, Staff reduced property tax expense by \$2,281 based on Staff's recommended revenue.

15. Applicant's present water rates and charges produced adjusted operating revenue of \$229,919 and adjusted operating expenses of \$217,147 which resulted in operating income of \$12,772 or a 2.2 percent rate of return on FVRB which equates to a 5.55 percent operating margin.

16. The water rates and charges recommended by Staff and stipulated to by the Company would produce adjusted operating revenues of \$275,009 and adjusted operating expenses of \$213,665

1 resulting in net operating income of \$61,344 or a 10.7 percent rate of return on FVRB which equates
2 to an operating margin of 22.31 percent.

3 17. Staff is recommending an increase in the operating revenue for the Company because
4 even though the Company operates as a not-for-profit corporation, the Company has not had a
5 revenue increase in 6 years and Staff's recommended operating income level of \$61,344 will enable
6 the Company to pay the debt on two long-term loans previously approved by the Commission along
7 with the additional long-term debt for which the Company is seeking approval in this proceeding.

8 18. Staff is recommending an increase of \$45,090 or a 19.61 percent revenue increase
9 over adjusted TY revenues of \$229,919. (Tr. at P. 42)

10 19. Staff's recommended rates would increase the average monthly metered customer
11 water bill by \$7.61 or 23.7 percent, from \$32.12 to \$39.73, and increase the median monthly metered
12 customer water bill by \$4.57 or 17.0 percent, from \$26.85 to \$31.42.

13 20. According to the Staff Report, the Applicant is in compliance with prior Commission
14 Orders and is in good standing with the Commission.

15 21. The Company is in compliance with the requirements of the Arizona Department of
16 Environmental Quality and is providing water which meets the requirements of the Safe Drinking
17 Water Act.

18 22. The Commission has previously approved the Company's curtailment tariff and its
19 backflow prevention tariff.

20 23. With its application for financing approval, the Company is seeking the Commission's
21 approval for a 5-year loan with Ford Motor Credit Corporation for a 2006 Ford Ranger pick-up truck
22 purchased for \$19,827. The new pick-up truck was purchased in 2006 to replace a 1990 Toyota pick-
23 up truck which, according to the Company's witness, needed costly repairs.

24 24. Staff's accounting witness, Mr. Charles Myhlhausen, indicated that he had been
25 advised by the Company that its representatives were not aware that financing approval was
26 necessary for incurring long-term debt for periods of more than 12 months. Despite the late
27 application, Staff is recommending approval of the Company's request for long-term financing for
28 the 2006 pick-up truck. Mr. Myhlhausen indicated that Staff normally allows for an operating margin

1 of 10 to 12 percent, but in this instance was required to give the Company sufficient revenue to meet
 2 its operating expenses, debt service and to allow for future contingencies. Staff believes that its
 3 recommended revenues of \$275,009 will cover these requirements.

4 25. In light of the Company's request for financing, Staff reviewed the effect of the
 5 requested financing on the Company's Times Interest Earned Ratio ("TIER")³ and its debt service
 6 coverage ("DSC").⁴

7 26. A TIER of less than 1.0 is not sustainable in the long term, but does not necessarily
 8 mean that debt obligations cannot be met in the short term. A DSC greater than 1.0 means operating
 9 cash flow is sufficient to cover debt obligations.

10 27. Based on its analysis, Staff found that Applicant would have a TIER of 3.13 and DSC
 11 of 1.66 with the approval of the long-term financing for the Company's 2006 Ford pick-up truck.
 12 Staff believes that its proposed rates will enable the Company to have adequate cash flow
 13 (approximately \$39,000) to proceed with planned capital improvements and to have cash for
 14 contingencies.

15 28. Besides recommending approval of its recommended rates and charges, Staff is also
 16 recommending the Commission order the following:

- 17 • that applicant notify its customers of the water rates and charges approved hereinafter and
 18 their effective date by a means of an insert in its next monthly billing and file a copy of
 the notice sent to its customers with the Commission's Docket Control;
- 19 • that Applicant file, within 30 days of the effective date of this Decision, as a compliance
 20 item in this docket, with the Commission's Docket Control, a copy of the schedule of its
 approved rates and charges;
- 21 • that the Company adopt the depreciation rates delineated by Staff in Exhibit 6 of the
 Engineering Report utilized in this proceeding on a going forward basis;
- 22 • that the Company be authorized to issue long-term debt not to exceed \$19,827 at an
 interest rate of not more than 10.5 percent for a term of 5 years;
- 23 • that the Company engage in any transactions and execute any documents to effectuate the
 authorization requested with the application;
- 24 • that the Company file, within 30 days of the effective date of this Decision, with the
 25

26 ³ The times interest earned ratio is an indicator of a company's ability to meet the interest payments on its debt. The
 times interest earned calculation is a corporation's income before interest and income tax expenses, divided by interest
 27 expense.

28 ⁴ The debt service coverage ratio calculates the amount of cash available to meet debt obligations. A debt service
 coverage ratio of 1 is the minimum required to ensure sufficient cash flow to cover the debt. The ratio is determined by
 dividing the total available cash flow by the amount of debt.

Commission's Docket Control, as a compliance item in this docket, copies of all notes and the documents related to the transactions;

- that the Company obtain the Commission's approval for any long-term debt prior to its execution in the future;
- that the Company continue to reduce its water loss. Staff further recommends that the Company monitor the gallons pumped and gallons sold to determine the actual water loss on an annual basis. The monitoring report should be docketed as a compliance item in this case within 13 months of the effective date of this Decision with the Commission's Docket Control. If the reported water loss for the period is greater than 10 percent, the Company shall prepare a report containing a detailed analysis and plans to reduce water loss to 10 percent or less. If the Company believes it is not cost effective to reduce its water loss to less than 10 percent, it should submit a detailed cost benefit analysis to support its opinion. In no case shall the Company allow water loss to be greater than 15 percent. The water loss reduction report or the detailed analysis, whichever is submitted, shall be docketed as a compliance item within 13 months of the effective date of this Decision; and
- that Applicant, in addition to the collection of its regular rates and charges, collect from its customers their proportionate share of any privilege, sales, or use tax as provided for in A.A.C. R14-2-409(D).

29. Because an allowance for the property tax expense of Applicant is included in the Company's rates and will be collected from its customers, the Commission seeks assurances from the Company that any taxes collected from ratepayers have been remitted to the appropriate taxing authority. It has come to the Commission's attention that a number of water companies have been unwilling or unable to fulfill their obligation to pay the taxes that were collected from ratepayers, some for as many as 20 years. It is reasonable, therefore, that as a preventive measure the Company shall annually file, as part of its Annual Report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

30. Based upon our review of the record, we find that Staff's proposed rates are reasonable and together with its additional recommendations should be adopted.

CONCLUSIONS OF LAW

1. Applicant is a public service corporation within the meaning of Article XV of the Arizona Constitution and A.R.S. §§ 40-250, 40-251, 40-301 and 40-302.
2. The Commission has jurisdiction over Applicant and of the subject matter of the applications.
3. Notice of the applications was provided in the manner prescribed by law.
4. Based on the record, the rates and charges proposed by Staff and authorized

1 hereinafter are just and reasonable.

2 5. Staff's recommendations as set forth in Findings of Fact No. 28, are reasonable and
3 should be adopted.

4 6. The proposed long-term financing is for lawful purposes, within Applicant's corporate
5 powers, is compatible with the public interest, with sound financial practice and a proper
6 performance by Applicant of service as a public service corporation, and will not impair Applicant's
7 ability to perform that service.

8 7. The financing application approved hereinafter is for the purposes stated in the
9 application and is reasonably necessary for those purposes, and such purposes are not, wholly or in
10 part, reasonably chargeable to operating expenses or to income.

11 ORDER

12 IT IS THEREFORE ORDERED that the application of Yarnell Water Improvement
13 Association, Inc. is hereby directed to file on or before January 30, 2009, a revised rate schedule
14 setting forth the following rates and charges:

15 MONTHLY USAGE CHARGES:

| | |
|--|----------|
| 16 $\frac{5}{8}$ " x $\frac{3}{4}$ " Meter | \$ 23.00 |
| $\frac{3}{4}$ " Meter | 35.00 |
| 17 1" Meter | 42.00 |
| 18 $1\frac{1}{2}$ " Meter | 84.00 |
| 2" Meter | 140.00 |
| 19 3" Meter | 368.00 |
| 4" Meter | 575.00 |
| 20 6" Meter | 1,150.00 |

21 GALLONAGE CHARGES:

(Per 1,000 Gallons)

| | |
|---|---------|
| 22 $\frac{5}{8}$ x $\frac{3}{4}$ Inch Meter | |
| 23 0 - 3,000 gallons | \$ 3.60 |
| 3,001 - 7,000 gallons | 4.10 |
| 24 7,001 - 50,000 gallons | 5.75 |
| 25 Over 50,000 | 7.00 |
| 26 $\frac{3}{4}$ Inch Meter | |
| 0 - 3,000 gallons | \$ 3.60 |
| 27 3,001 - 7,000 gallons | 4.10 |
| 7,001 - 50,000 gallons | 5.75 |
| 28 Over 50,000 | 7.00 |

1 1 Inch Meter
 0 – 25,000 gallons \$ 4.10
 2 25,001 – 50,000 gallons 5.75
 3 Over 50,000 7.00

4 1½ Inch Meter
 0 – 25,000 gallons \$ 4.10
 5 25,001 – 50,000 gallons 5.75
 6 Over 50,000 7.00

7 2 Inch Meter
 0 – 25,000 gallons \$ 4.10
 8 25,001 – 50,000 gallons 5.75
 9 Over 50,000 7.00

10 3 Inch Meter
 0 – 25,000 gallons \$ 4.10
 11 25,001 – 50,000 gallons 5.75
 12 Over 50,000 7.00

13 4 Inch Meter
 0 – 25,000 gallons \$ 4.10
 14 25,001 – 50,000 gallons 5.75
 15 Over 50,000 7.00

16 6 Inch Meter
 0 – 25,000 gallons \$ 4.10
 17 25,001 – 50,000 gallons 5.75
 18 Over 50,000 7.00

19 Standpipe/Bulk, per 1,000 gallons
 All gallons \$ 10.00

20 SERVICE LINE AND METER INSTALLATION CHARGES:

(Refundable pursuant to A.A.C. R14-2-405)

| | Service Line Charge | Meter Charge | Total Charge |
|----------------------|------------------------|-----------------|-----------------|
| 21 5/8" x 3/4" Meter | \$ 445.00 | \$ 105.00 | \$ 550.00 |
| 22 3/4" Meter | 445.00 | 175.00 | 620.00 |
| 23 1" Meter | 495.00 | 235.00 | 730.00 |
| 24 1½" Meter | 550.00 | 445.00 | 995.00 |
| 2" Meter | 830.00 | 965.00 | 1,795.00 |
| 25 3" Meter | 1,045.00 | 1,580.00 | 2,635.00 |
| 4" Meter | 1,490.00 | 2,510.00 | 4,000.00 |
| 26 6" Meter | 2,210.00 | 4,865.00 | 7,075.00 |

27 SERVICE CHARGES:

28 Establishment \$ 48.00
 Reconnection (Delinquent) 48.00

| | | |
|---|------------------------------------|----------|
| 1 | After Hours Surcharge | \$ 24.00 |
| 1 | Meter Test (If Correct) | 36.00 |
| 2 | Deposit | 84.00 |
| 2 | Deposit Interest | * |
| 3 | Reestablishment (Within 12 Months) | ** |
| 3 | NSF Check | 30.00 |
| 4 | Meter Reread (If Correct) | 12.00 |
| 4 | Late Fee (Per Month) | *** |
| 5 | Road Permit Fee | Cost |

FIRE SPRINKLERS:

| | | |
|---|---------------------|------|
| 7 | 4 inch or Smaller | **** |
| 7 | 6 inch | **** |
| 8 | 8 inch | **** |
| 8 | 10 inch | **** |
| 9 | Larger than 10 inch | **** |

* Per Commission rule A.A.C. R-14-2-403(B).

** Number of months off system times the monthly minimum per Commission rule A.A.C. R14-2-403(D).

*** 1.5 percent of the unpaid monthly balance.

**** 100 percent of monthly minimum for a comparable sized meter connection, but no less than \$5 per month. The service charge for fire sprinklers is only applicable for service lines separate and distinct from the primary water service line.

IT IS FURTHER ORDERED that Yarnell Water Improvement Association, Inc. shall notify its customers of the water rates and charges approved hereinafter and their effective date by means of an insert in its next monthly billing and file a copy of the notice when sent to its customers with the Compliance Section of the Utilities Division.

IT IS FURTHER ORDERED that the above water rates and charges shall be effective for all services provided on and after February 1, 2009.

IT IS FURTHER ORDERED that Yarnell Water Improvement Association, Inc. is hereby directed to comply with Staff's recommendations as set for the in Findings of Fact No. 28.

IT IS FURTHER ORDERED that Yarnell Water Improvement Association, Inc. is hereby authorized to issue long-term debt in an amount not to exceed \$19,827 for a term of 5 years at no greater rate of interest than 10.5 percent per annum.

IT IS FURTHER ORDERED that Yarnell Water Improvement Association, Inc. is hereby authorized to engage in any transactions and to execute any documents necessary to effectuate the authorization granted hereinabove and file, within 30 days of the effective date of this Decision, with

1 the Commission's Docket Control, as a compliance item in this docket, copies of all executed loan
2 documents certifying that the transactions have been completed.

3 IT IS FURTHER ORDERED that such authority shall be expressly contingent upon Yarnell
4 Water Improvement Association, Inc. using the proceeds for the purposes set forth in the application.

5 IT IS FURTHER ORDERED that approval of the financing set forth hereinabove does not
6 constitute nor imply approval or disapproval by the Commission of any particular expenditure of the
7 proceeds derived thereby for purposes of establishing just and reasonable rates.

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IT IS FURTHER ORDERED that Yarnell Water Improvement Association, Inc., in addition to the collection of its regular rates and charges, shall collect from its customers their proportionate share of any privilege, sale, or use tax as provided for in A.A.C. R14-2-409(D).

IT IS FURTHER ORDERED that Yarnell Water Improvement Association, Inc. shall annually file, as part of its Annual Report, an affidavit with the Utilities Division attesting that the Company is current in paying its property taxes in Arizona.

IT IS FURTHER ORDERED that this Decision shall become effective immediately.

BY ORDER OF THE ARIZONA CORPORATION COMMISSION.

CHAIRMAN

COMMISSIONER

COMMISSIONER

COMMISSIONER

COMMISSIONER

IN WITNESS WHEREOF, I, BRIAN C. McNEIL, Executive Director of the Arizona Corporation Commission, have hereunto set my hand and caused the official seal of the Commission to be affixed at the Capitol, in the City of Phoenix, this 20th day of Jan, 2009.

BRIAN C. McNEIL
EXECUTIVE DIRECTOR

DISSENT

DISSENT

MES:db

1 SERVICE LIST FOR: YARNELL WATER IMPROVEMENT ASSOCIATION, INC.

2 DOCKET NO.: W-02255A-07-0570 AND W-02255A-08-0355

3 Tammy Zudell
4 YARNELL WATER IMPROVEMENT ASSOCIATION, INC.
5 P.O. Box 727
Yarnell, Arizona 85362-0727

6 Janice Alward, Chief Counsel
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7 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
8 Phoenix, Arizona 85007

9 Ernest Johnson, Director
Utilities Division
10 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
11 Phoenix, Arizona 85007